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SIPDIS

SENSITIVE
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STATE FOR EB/BTA/EWH (RECHT); WHA/CAN
PLS PASS TO USTR (MELLE AND SULLIVAN)
COMMERCE FOR JAMES TERPSTRA

E.O. 12958: N/A

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SUBJECT: CANADA ANNOUNCES FORESTRY SUPPORT; SAYS IT DOES
NOT VIOLATE SOFTWOOD AGREEMENT

SENSITIVE BUT UNCLASSIFIED

11. (u) On February 8, Natural Resources Minister Gary Lunn announced a C\$127.5 million aid package for Canada,s struggling forestry sector. The GOC believes that a strong forestry sector "is vital to a strong Canadian economy." Under the aid package, C\$122.5 million will go toward three initiatives:

- Promoting innovation and investement in the forest sector;
- Expanding market opportunities; and
- Developing a national forest pest strategy.

Human Resources and Social Development Canada (HRSDC) will use the remaining C\$5 million to form a Human Resource Forest Sector Council that will look at job skills and adjustment issues in the industry.

12. (u) The GOC says yesterday,s aid package is part of C\$400 million allocated in the 2006 federal budget to support Canada,s forest industry. Last month, the government provided C\$200 million to the Federal Mountain Pine Beetle Program. Last October, the HRSDC announced that it would use C\$72.5 million in federal funds on the Targeted Initiative for Older Workers.

13. (sbu) International Trade Deputy Director for Softwood Lumber Karen Kennedy told Econcouns that yesterday,s aid package should come as no surprise since it is part of the 2006 budget assistance for Canada,s forestry sector. Kennedy said the aid "absolutely does not violate" the Softwood Lumber Agreement, adding that no monies are being given to Canadian forestry sector companies.

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